



Public Service Commission of Wisconsin

Eric Callisto, Chairperson
Mark Meyer, Commissioner
Lauren Azar, Commissioner

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Madison, WI 53707-7854

Public Service Commission of Wisconsin
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May 5, 2010

Mr. James Grassman – Sent Electronically
Village Manager
Village of Whitefish Bay Water Utility
J.Grassman@wfbvillage.org

Re: Staff Revenue Requirement for Water Rate Increase

6480-WR-105

Dear Mr. Grassman:

Enclosed is a copy of the Public Service Commission staff's (staff) proposed 2010 test year Revenue Requirement Exhibit (exhibit) to be presented at the hearing for the Village of Whitefish Bay Water Utility (utility). Dave Prochaska, Rate Analyst, will soon be performing a cost of service study and proposed rate design. Therefore, please review the enclosed exhibit since it will be the basis for the cost of service study.

Enclosed as Schedule 4 is the list of depreciation rates that is the basis of staff's estimated depreciation expense for the test year. When the order is issued in docket 6480-WR-105 these rates will be certified for use by your utility effective January 1, 2010.

After reviewing, please confirm by Electronic Regulatory Filing (ERF) that the utility is in agreement with staff's revenue requirement proposal as set forth in the enclosed exhibit by May 13, 2010. If the utility is not in agreement, please detail this in your reply.

If you have any questions regarding the above, please contact me at (608) 267-0637 or by e-mail at bridgot.gysbers@wisconsin.gov. If you have any questions regarding the status of your rate case, please contact David Prochaska at (608) 266-5739 or by e-mail at david.prochaska@wisconsin.gov.

Sincerely,

/s/ Bridgot A. Gysbers

Bridgot A. Gysbers
Public Utility Auditor
Division of Water, Compliance and Consumer Affairs

BAG: Document Locator: \00120169

Enclosure

Cc: Don Vilione, Baker Tilly Virchow Krause LLP – Donald.Vilione@bakertilly.com

Exhibit No. _____

Docket No. 6480-WR-105

Witness: Bridgot A. Gysbers

Village of Whitefish Bay Water Utility

Estimated 2010 Operating Income Statement

Net Investment Rate Base

and 2010 Estimated Revenue Requirement

Public Service Commission of Wisconsin

Division of Water, Compliance, and Consumer Affairs

Village of Whitefish Bay Water Utility
6480-WR-105

Estimated Operating Income Statement
and Net Investment Rate Base
2010 Test Year

	Utility Estimate	Adjustments		Staff Estimate
		No.	Amount	
Total Operating Revenues:	\$1,336,214		\$0	\$1,336,214
Operating Expenses:				
Source of Supply	\$445,000	1	\$11,900	\$456,900
Pumping	0		0	0
Water Treatment	0		0	0
Transmission and Distribution	193,800	2	(18,300)	175,500
Customer Accounts	25,300		0	25,300
Sales	0		0	0
Administrative and General	275,000	3	(33,035)	241,965
Total Operation & Maintenance Expenses	\$939,100		(\$39,435)	\$899,665
Depreciation	319,755	4	35,487	355,242
Amortization	0		0	0
Taxes	137,199	5	51,500	188,699
Total Operating Expenses	\$1,396,054		\$47,552	\$1,443,606
Net Operating Income (Loss)	(\$59,840)		(\$47,552)	(\$107,392)
Net Investment Rate Base:				
Utility Plant in Service	\$11,721,573	6	\$1,893,814	\$13,615,387
Less:				
Accumulated Provision for Depreciation	3,649,646		0	3,649,646
Net Plant in Service	\$8,071,927		\$1,893,814	\$9,965,741
Add: Materials and Supplies	49,000		0	49,000
Less: Regulatory Liability - pre-2003 Depreciation on Contributed Plant	138,271		0	138,271
Net Investment Rate Base	\$7,982,656		\$1,893,814	\$9,876,470
Rate of Return	-0.75%			-1.09%

Village of Whitefish Bay Water Utility
6480-WR-105

Estimated Operating Income Statement
Average Net Investment Rate Base and
Revenue Requirement to Yield the Proposed Rate of Return
2010 Test Year

	Staff Estimate	Increase Required	Proposed Rate Level
Total Operating Revenues:	\$1,336,214	\$477,760	\$1,813,974
Operating Expenses:			
Source of Supply	\$456,900		\$456,900
Pumping	0		0
Water Treatment	0		0
Transmission and Distribution	175,500		175,500
Customer Accounts	25,300		25,300
Sales	0		0
Administrative and General	241,965		241,965
Total Operation & Maintenance Expenses	\$899,665		\$899,665
Depreciation	355,242		355,242
Amortization	0		0
Taxes	188,699		188,699
Total Operating Expenses	\$1,443,606		\$1,443,606
Net Operating Income (Loss)	(\$107,392)		\$370,368
Net Investment Rate Base:			
Utility Plant in Service	\$13,615,387		\$13,615,387
Less:			
Accumulated Provision for Depreciation	3,649,646		3,649,646
Net Plant in Service	\$9,965,741		\$9,965,741
Add: Materials and Supplies	49,000		49,000
Less: Regulatory Liability - pre-2003			
Depreciation on Contributed Plant	138,271		138,271
Net Investment Rate Base	\$9,876,470		\$9,876,470
Rate of Return	-1.09%		3.75%

Village of Whitefish Bay Water Utility
6480-WR-105

Explanation of Staff Adjustments in Schedules 1

Particulars	Amount
<u>Adjustment No.1</u>	
To increase the utility's estimated Purchased Water Expense of \$445,000 to the 2010 PSC estimate of \$456,900. Staff estimate was based upon the 2010 test year total operating expense for North Shore of \$1,365,560 times a ratio of 33.46%. The ratio is the 2008-2009 average of Whitefish Bay's percentage of water produced by North Shore.	\$11,900
<u>Adjustment No. 2</u>	
To decrease the utility's estimated Maintenance of Reservoir and Standpipe Expense of \$40,000 to the 2010 PSC estimate of \$21,700. Staff used a 15 year normalized amount of \$13,400 for painting costs on the 1948 elevated tower plus routine expenses of \$8,300 which was based upon the 2005-2008 average.	(\$18,300)
<u>Adjustment No. 3</u>	
To decrease the utility's estimated Administrative and General Expense to the 2010 PSC estimate based upon the following:	(\$33,035)
A. To increase the utility's estimated Administrative and General Salaries Expense of \$114,200 to the utility's April 19, 2010, revised test year estimate of \$121,165. It was noted in 2008 two new positions were added. The impact for the 2 new positions was not seen until 2009. In addition, actual 2009 expense was slightly higher than the original estimate. The utility's revised estimate was similar to actual 2009.	\$6,965
B. To decrease the utility's estimated Outside Services Employed Expense of \$36,000 to the 2010 PSC estimate of \$19,800. Staff estimate was based upon the 2006-2009 average for audit fees of \$9,900 plus a 3 year amortization for North Shore Water Commission Water Testing of \$9,900.	(\$16,200)
C. To decrease the utility's estimated Employee Pensions and Benefits Expense of \$110,000 to the 2010 PSC estimate of \$86,200. Staff estimate was based upon the 2006-2009 average to smooth out the fluctuations between high versus low years.	(\$23,800)
Net Decrease	<u>(\$33,035)</u>
<u>Adjustment No.4</u>	
To increase the utility's estimated Depreciation Expense of \$319,755 to the 2010 PSC estimate of \$355,242 based upon the items noted below.	\$35,487
- estimated Utility Financed Plant in Service balances for the test year	
- proposed depreciation rates per Schedule 4	
- an allocation of a portion of depreciation on meters to the sewer department	
- fully depreciated accounts.	

Village of Whitefish Bay Water Utility
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Explanation of Staff Adjustments in Schedules 1

Particulars	Amount
<u>Adjustment No. 5</u>	
To increase the utility's estimated Taxes Expense of \$137,199 to the 2010 PSC estimate of \$188,699 based upon:	\$51,500
- the estimated property tax equivalent on plant based on the four year average effective tax rate	
- the estimated social security taxes	
- the estimated PSC remainder assessment	
- an allocation of a portion of taxes on meters to the sewer department.	
<u>Adjustment No. 6</u>	
To increase Plant in Service to the 2010 PSC estimate of \$13,615,387 based upon 2009 plant additions and retirements. The adjustment is primarily due to staff's using actual for 2009 as reported in the 2009 PSC annual report in addition to staff's reclassification of \$2.4M for additions and \$38,000 for retirements from "routine" plant to "major" plant.	\$1,893,814

Whitefish Bay Municipal Water Utility
Schedule of Depreciation Rates
Effective January 1, 2010

Schedule 4

<u>Account Number</u>	<u>Class of Plant</u>	<u>Depr. Rate</u>
	SOURCE OF SUPPLY PLANT	
313	Lake, River and Other Intakes	1.7%
316	Supply Mains	1.8%
	PUMPING PLANT	
321	Structures and Improvements	3.2%
323	Other Power Production Equipment	4.4%
325	Electric Pumping Equipment	4.4%
328	Other Pumping Equipment	4.4%
	WATER TREATMENT PLANT	
331	Structures and Improvements	3.2%
332	Sand and Other Media Filtration Equipment	3.3%
	TRANSMISSION AND DISTRIBUTION PLANT	
342	Distribution Reservoirs and Standpipes	1.9%
343	Transmission and Distribution Mains	1.3%
345	Services	2.9%
346	Meters	5.5%
348	Hydrants	2.2%
349	Other Transmission and Distribution Plant	5.0%
	GENERAL PLANT	
390	Structures and Improvements	2.9%
391	Office Furniture and Equipment	5.8%
391.1	Computer Equipment	26.7%
392	Transportation Equipment	13.3%
393	Stores Equipment	5.8%
394	Tools, Shop and Garage Equipment	5.8%
395	Laboratory Equipment	5.8%
397	Communication Equipment	15.0%
397.1	SCADA Equipment	9.2%
398	Miscellaneous Equipment	5.8%